



President
Barbara J. Easterling

Secretary-Treasurer
Ruben Burks

July 20, 2011

The Honorable Pete Stark
U.S. House of Representatives
Washington, DC 20510

Dear Congressman Stark:

On behalf of the four million members of the Alliance for Retired Americans, we are writing in support of your legislation, the Medigap Medical Loss Ratio Improvement Act. This legislation will provide seniors with valuable consumer protections.

This legislation requires that beginning on January 1, 2014 Medigap policies sold in the group market meet a medical loss ratio (MLR) of 85% and those sold in the individual market meet a MLR of 80%. This will provide Medigap policyholders the same protections provided to all other consumers under the Affordable Care Act. Currently, insurers offering Medigap policies are only obligated to spend 75% of premiums in a group plan and 65% of premiums in an individual plan for health benefits. This means that insurers can spend up to 35 percent on administrative fees, insurance executive pay or profits. In fact, a 2009 academic study found that Medigap insurers as a group on average spend only 70% of premiums to provide health benefits. In contrast, Medicare spends 97% of beneficiary premiums on patient care and only 3% on administrative costs.

The Medigap Medical Loss Ratio Improvement Act will ensure that a larger share of premium dollars paid for Medigap policies are spent where they are supposed to -- patient care. We thank you for your sponsorship of this important legislation, which demonstrates your commitment to the well-being of seniors.

Sincerely yours,

Barbara J. Easterling
President

Ruben Burks
Secretary-Treasurer

Edward F. Coyle
Executive Director

